Board of Management of The Toronto Zoo

(A Board controlled by the City of Toronto)

Audit Findings Report
for the year ended
December 31, 2020

KPMG LLP

Licensed Public Accountants

PREPARED ON MAY 3, 2021

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Our refreshed Values

What we believe

Integrity

We do what is right.

Excellence

We never stop learning and improving.

Courage

We think and act boldly.

Together

We respect each other and draw strength from our differences.

For Better

We do what matters.

How do we deliver audit quality?

Transparency report

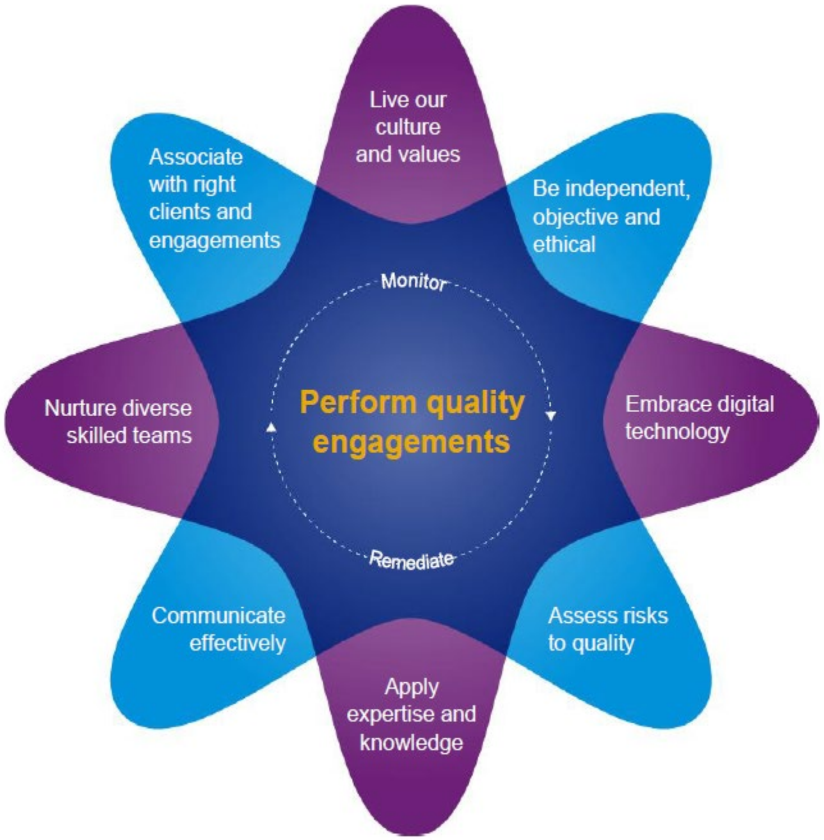
Quality essentially means doing the right thing and remains our highest priority. Our **Global Quality Framework** outlines how we deliver quality and how every partner and staff member contributes to its delivery.

'**Perform quality engagements**' sits at the core along with our commitment to continually monitor and remediate to fulfil on our quality drivers.

Our **quality value drivers** are the cornerstones to our approach underpinned by the **supporting drivers** and give clear direction to encourage the right behaviours in delivering audit quality.

We define '**audit quality**' as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality controls;** and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics,** and **integrity.**



Doing the right thing. Always.

Executive summary

Purpose of this report[1]

The purpose of this Audit Findings Report is to assist you, as a member of the Policy and Finance Committee, in your review of the results of our audit of the financial statements as at and for the year ended December 31, 2020. This Audit Findings Report builds on the Audit Plan we presented to you on December 4, 2020.

What's new in 2020

There have been significant changes in 2020 which impacted financial reporting and our audit:

- COVID-19 pandemic – See page 6
- New CAS auditing standards – See page 8

Changes from the audit plan

There have been no significant changes regarding our audit from the Audit Planning Report previously presented to you.

Finalizing the audit

As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

– completing our discussions with the Policy and Finance Committee
– completion of subsequent events procedures, including legal updates, up to the date of approval of the financial statements
– receipt of the signed management representation letter (dated upon Board approval of the financial statements)
– obtaining evidence of the Board's approval of the financial statements

We will update the Committee, and not solely the Chair, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

Our auditors' report, a draft of which is provided with the draft financial statements, will be dated upon the completion of any remaining procedures.

Uncorrected differences

We identified two adjustments that remain uncorrected.

See page 14.

Recommendations on disclosures in the financial statements were made and accepted by management with respect to certain accounting policies, disclosures of employee future benefits, and certain disclosures with respect to risk management.

Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

[1] This Audit Findings Report is intended solely for the information and use of Management, the Policy and Finance Committee and the Board of Management and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Control deficiencies

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting.

Other observations

We have identified other observations. See page 12.

Group reporting

The Board of Management of the Toronto Zoo (the “Zoo”) is controlled by the City of Toronto (the “City”) and thus the financial results are consolidated into the City’s consolidated financial statements. The audit engagement team for the City (the “Group auditor”) will use the work of our audit and the auditors’ report related to the Zoo financial statements. The Zoo is considered a non-significant component for the audit engagement of the City, i.e. the group audit.

In accordance with Canadian auditing standards, we will be communicating matters of significance to the group auditor throughout the audit including planning and risk assessment, execution and reporting.

What's new in 2020

COVID-19 pandemic Our audit plan communicated changes to our audit arising from the impacts of the COVID-19 pandemic. We adapted our audit to respond to the continued changes in your business, including the impacts on financial reporting.	
Area of Impact	**Key Observations**
Organization's financial reporting impacts	— We considered impacts to financial reporting due to the COVID-19 pandemic and the increased disclosures needed in the financial statements as a result of the significant judgements. — In areas of the financial statements where estimates involved significant judgements, we evaluated whether the method, assumptions and data used by management to derive the accounting estimates, and their related financial statement disclosures were still appropriate per the relevant financial reporting framework given the changed economic conditions and increased estimation uncertainty – see page 11 under Audit Risk and Results. — The areas of the financial statements most affected included: ○ Going concern assessment – COVID-19 was a significant event in 2020 that had significant financial implications on the Zoo. As an agency of the City, the Zoo operates under the relationship framework and the City of Toronto Act 2006. The City is entitled to any surplus resulting from the Zoo activities and is also responsible for any deficit. The going concern basis of accounting remains appropriate. ○ Impairment of tangible capital assets: no triggers for impairment were identified; assets continue to provide economic benefit to the Zoo. ○ Disclosures – Refer to financial statement note 11b) for enhanced disclosures relating to COVID-19.
Financial reporting and general matters	— Many organizations have been required, out of necessity, to amend the controls surrounding approval of transactions and, as such, segregation of duties may also have been impacted. Our audit team worked with management to understand what temporary measures impacted the financial reporting processes. Overall, there were no significant changes in internal controls surrounding approval of transactions and financial reporting. — Audit risk surrounding completeness for the search for unrecorded liabilities, evaluation and documentation over the control environment and other audit risk areas have been impacted. In addition, our firm developed a very extensive checklist required of all audit files to meet the auditing standards and risk assessments which were reviewed and completed by management.

COVID-19 pandemic

Our audit plan communicated changes to our audit arising from the impacts of the COVID-19 pandemic. We adapted our audit to respond to the continued changes in your business, including the impacts on financial reporting.

Area of Impact	Key Observations
	— The impact of COVID-19 will extend well beyond the end of the current fiscal year and while impacts are not currently known, management will be required to continue to monitor these impacts.
Risk Assessment	— We performed a more thorough risk assessment specifically targeted at the impacts of the COVID 19 pandemic, including an assessment of fraud risk factors (i.e., conditions or events that may be indicative of an incentive/pressure to commit fraud, opportunities to commit fraud, rationalizations of committing fraud). — We did not identify *additional* risks of material misstatement as a result of impacts to financial reporting.
Working remotely	— We used virtual work rooms, video conferencing, and internally shared team sites to collaborate in real-time, both amongst the audit team as well as with management. — We used secure and innovative technologies to conduct walkthroughs and facilitate discussions. — We increased our professional skepticism when evaluating electronic evidence received and performed additional procedures to validate the authenticity and reliability of electronic information used as audit evidence.
Direction and Supervision of the audit	— The manager and partner were actively involved in determining the impact that the COVID-19 pandemic had on the audit (as discussed above), including the impact on the Zoo's financial reporting and changes in the Zoo's internal control over financial reporting. — Managers and partners implemented new supervision processes to deal with working in a remote environment, and our audit approach allowed us to manage the audit using meaningful milestones and frequent touch points.

New auditing standards

The following new auditing standards that are effective for the current year had an impact on our audit.

Standard	Key observations
CAS 540, Auditing Accounting Estimates and Related Disclosures	— The new standard was applied on all estimates within the financial statements that had a risk of material misstatement due to estimation uncertainty and not just “key estimates”, “critical accounting estimates”, or “estimates with significant risk”. — The granularity and complexity of the new standard along with our interpretation of the application of that standard necessitated more planning and discussion and increased involvement of more senior members of the engagement team. — We performed more granular risk assessments based on the elements making up each accounting estimate such as the method, the assumptions used, the data used and the application of the method. — We considered the potential for management bias. — We assessed the degree of uncertainty, complexity, and subjectivity involved in making each accounting estimate to determine the level of audit response; the higher the level of response, the more persuasive the audit evidence was needed. — We involved professionals with appropriate skills and knowledge to assist us in auditing certain estimates as appropriate. — See page 11 for estimates that related to employee future benefits, an area of focus, which is a subset of all the estimates subject to the new standard.

Audit risks and results

We highlight our significant findings in respect of **significant financial reporting risks** as identified in our discussion with you in the Audit Plan.

Fraud risk from revenue recognition	New or changed?	Estimate?
This is a presumed fraud risk. The primary risk of fraudulent revenue recognition resides with manual journal entries for recognition of restricted contributions and grants revenue transactions not in the normal course of business.	No	No

Our response

In order to address the presumed fraud risk from revenue recognition, we performed various audit procedures over the Zoo's process for recognizing revenue, including:

- evaluated the design and implementation of selected relevant controls over journal entries and other adjustments for revenue transactions.
- evaluated the design and implementation of selected relevant controls, including those relating to the tracking and reporting of restricted revenue recognition.

Significant findings

- We tested journal entries that are susceptible to manipulation through management override and unusual journal entries. See further details on page 17.
- As part of our audit approach to address the inherent risk of error in revenue recognition, we substantively tested revenues (both recognized and amounts held as deferred at year end) and analyzed related spending for which corresponding revenues are recognized.
- We obtained and reviewed the schedules for deferred revenue prepared by management. We selected a sample of the increases (cash receipts) and decreases (revenue recognition) for deferred revenue during the current year.
- We noted that for certain restricted contributions/grants, the related expense is charged directly to the deferred revenue account and not reported gross on the statement of operations. As such, revenues and expenses are understated by $189,133. This remains uncorrected – see page 14. This was discussed with management and going forward, these transactions will be reported gross.

We did not identify any other issues related to fraud risk associated with revenue recognition.

Audit risks and results (continued)

Fraud risk from management override of controls	New or changed?	Estimate?
As this presumed risk of material misstatement due to fraud is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk.	No	No

Our response

- We have utilized Data & Analytics ("D&A") in order to enhance the quality and effectiveness of the audit, specifically with respect to testing journal entries. Using extractions of all journal entries recorded during the year, we selected samples and verified if they were supported by proper documentation and followed the journal entry initiation and approval controls and processes in place.
- We also evaluated the reasonableness of estimates. We found that management's process for identifying accounting estimates is adequate.
- We evaluated the business rationale of significant unusual transactions.
- Additionally, we incorporated an element of unpredictability whereby we perform an unpredictable procedure, or make changes to a standard procedure, to address the potential risk of fraud and management override.

Significant findings

- We did not note any significant control deficiencies in our evaluation of the design and implementation and test operating effectiveness of selected relevant controls over financial reporting.
- We tested journal entries and other adjustments by using D&A routines. See page 17 for further details in this area.
- We did not identify any issues or concerns after performing our review of estimates. See page 11 for further details in this area.
- We did not identify any significant unusual transactions or any specific additional risks of management override during our audit.
- We did not identify any issues after completing our element of unpredictability.

Audit risks and results - other areas of focus

Area of focus	New or changed?	Estimate?
Employee future benefits (EFB)	No	Yes. There is estimation uncertainty due to assumptions and estimates used by the actuary in calculating the liability.

Our response

- Our procedures included:
  - Reliance on actuaries (management specialist) engaged by the City; obtaining an understanding of the activities over the quality of information used, the assumptions made, the qualifications, competence and objectivity of the preparer of the estimate, and the historical accuracy of the estimates.
  - Assessing the method, data, and assumptions used by the actuary and management in the calculation of the EFB liability for reasonableness.
  - Utilizing KPMG specialist (KPMG Life & Pensions Actuarial Practice), we reviewed and evaluated the assumptions used in the actuarial reports.
  - We assessed the disclosures in the financial statements in accordance with the requirements of public sector accounting standards.

Significant findings

- On behalf of the Zoo, the City engaged an external actuarial consultant (the "Actuary") to undertake a valuation of the City's non-pension retirement benefits and accumulated sick leave liability as at December 31, 2018. A valuation update was performed to determine the liability as reported in the Zoo's 2020 financial statements.
- The employee benefit liabilities as at December 31, 2020 are outlined in Note 7 to the financial statements.
- Discount rates ranging from 1.2% to 2.0% (2019 – 2.4% to 2.7%) were used for the determination of the liability.
- Based on our review of the Actuary's report, we noted that the method applied for the estimate is acceptable per CIA and PSAB 3250 *Retirement Benefits.*
- We engaged KPMG Actuary Specialist to assess the reasonableness of the key assumptions used in the valuation.
- We note that the discount rate is a key assumption. We evaluated the discount rate used against the discount rate curve issued by different reliable sources including CIA, FIERA and KPMG LLP. The KPMG Actuary Specialist estimated the plan-specific discount rates and identified differences, consistent with previous years, arising from the duration of the Zoo plans. Using the City-specific vs. Zoo-specific discount rates for each plan would result in differences in the accrued benefit obligation of $601,000 as an overstatement. We note that this difference is a disclosure/presentation difference that does not require accounting adjustments. The overstatement in obligations are equally offset by misstatements in unamortized gains/losses such that the 2020 statement of operations and December 31, 2020 net statement of financial position employee future benefits payable are correct. As this is a note disclosure matter, it was not adjusted in the December 31, 2020 financial statements.
- Other than the matter noted above, the disclosures included in the financial statements are in accordance with the requirements of public sector accounting standards.
- Based on the audit work performed over employee future benefits, we did not note any other issues related to the calculation of the Zoo's non-pension retirement benefits and accumulated sick leave liability as at December 31, 2020.
- We did note that, in preparing financial statements, the Zoo recorded duplicate entries to record employee future benefits expenses of $303,409, and due to the funding formula to record additional funding from the City, this also resulted in duplicated revenue accrued from the City. This remains uncorrected – see page 14.

Other matters

Professional standards require us to communicate to the Board other matters. We have highlighted the following that we would like to bring to your attention:

Matter	KPMG comment
Related parties	As part of our audit procedures, we assess related party transactions and balances, and verify appropriate note disclosure in the financial statements. We did not identify significant related party transactions that have not been appropriately authorized and approved. Material transactions with related parties, all of which are in the normal course of operations, are adequately disclosed in the notes to the financial statements. Other than the COVID-19 subsidy of $10.5M, there were no significant new or unusual transactions.
Contingencies	PSAS 3300 Contingent Liabilities requires that the Zoo recognize a liability when “it is likely that a future event will confirm that a liability has been incurred at the date of the financial statements; and the amount can be reasonably estimated.” We obtained a listing of active litigation and potential claims from management and reviewed management’s assessments of each matter and the process employed to develop and record the related estimated liabilities. At the current time, there is sufficient information available to estimate an accrual pertaining to two specific matters. Based on consultation with City legal counsel, management accrued $1.5M in relation the Gillam Group Inc. case relating to the construction of the Wildlife Health Centre construction disputes and $146K relating to Concepts 2 Completion Inc. relating to the Lumina construction project. In order to evaluate management’s assessment of the claims, and to confirm completeness, we circulated legal letters and obtained a response from the City legal counsel who is overseeing the matters discussed above. As these items are resolved, it is possible that the final amounts recorded for these liabilities may change, however the amounts currently recorded represent management’s best estimates of exposure given the information presently available. At any point in time, the Zoo is subject to a number of employment grievances and other matters which could potentially result in the determination of a contingent liability as defined above, including, but not limited to, matters such as legal claims, etc. We circulated a legal letter to an external law firm who handles these matters. There are no accruals recorded in respect of grievances. Based on the audit work performed, we are satisfied that the method, data, and assumptions used by management are reasonable and consistent with the industry norms, and there are no issues to report.

Vacation	Included in accounts payable and accrued liabilities is vacation pay liability of $1.6M (2019 - $1.5M). The Zoo's collective agreement and other HR policies permit unused days to be carried over with approval. We note that there is an upward trend in this accrual over the past year and we understand that this increase is due to unused days carried over as a result of travel restrictions brought on by COVID-19. We note that there are several risks associated with maintaining high levels of vacation accruals, for example, the cost of those vacation entitlements become increasingly more expensive as compensation levels increase, it can be potentially disruptive to the Zoo's operations in the case where employees are granted extended leaves, and the financial impact to the Zoo's financial position becomes less favourable as more reliance is placed on reserves or future funding in order to fund this liability. In line with leading practices, we recommend that management carefully assess vacation entitlements, and put a plan in place to draw down on entitlements in order to better manage this liability and avoid servicing it at a higher cost than necessary. We note that in 2021, this liability may amplify as employees continue to defer vacation plans in light of COVID-19 and associated travel restrictions. The Zoo should consider developing and enforcing an effective policy with a specific objective of drawing down the liability. Additionally, as another leading practice and as a fraud prevention measure, we note that management should ensure that staff take annual vacations and that another employee perform their work in their absence. This cost-efficient control is one of the most effective methods of identifying any potential irregularities in performance. It also provides cross training for succession planning purposes.
Canada Emergency Wage Subsidy	In fiscal 2020, the Zoo management initially applied for and received the Canada Emergency Wage Subsidy. CRA determined that the Zoo is a public institution for the purposes of the CEWS and is ineligible to claim any amount of subsidy. At year end, $1,887,455 is owing to CRA. Interest has been waived and the Zoo is repaying $50,000 weekly commencing in 2021. The balance is expected to be fully repaid in 2021.

Uncorrected differences and corrected adjustments

Differences and adjustments include disclosure and presentation differences and adjustments.

Professional standards require that we request of management and the Committee that all identified differences be corrected. We have already made this request of management.

Uncorrected differences

The management representation letter includes the Summary of Uncorrected Audit Misstatements, which discloses the impact of all uncorrected differences considered to be other than clearly trivial. There are two uncorrected differences as follows:

1. A decrease of $303,409 to expenses and additional funding from City of Toronto as a result of the duplicate expense recorded for employee future benefits, as described on page 11.
2. An increase of $189,133 to both restricted contributions and grants revenue and expenses as a result of the net reporting of utilized deferred revenue funds, as described on page 9.
3. An amount of $103,861 for an outstanding deposit recorded as cash to reclassify as accounts receivable.

Based on both qualitative and quantitative considerations, management has decided not to correct certain differences and represented to us that the differences — individually and in the aggregate — are, in their judgment, not material to the financial statements. This management representation is included in the management representation letter.

We concur with management's representation that the differences are not material to the financial statements. Accordingly, the differences have no effect on our auditors' report

Corrected adjustments

We did not identify any adjustments that were communicated to management and subsequently corrected in the financial statements.

Appendices

Content

Appendix 1: Other Required Communications

Appendix 2: Technology in the Audit

Appendix 3: Current Developments

Appendix 4: Audit and Assurance Insights

Appendix 1: Other Required Communications

Report

Refer to the draft auditors' report attached to the draft financial statements.

Engagement terms

Unless you inform us otherwise, we understand that you acknowledge and agree to the terms of the engagement set out in the engagement letter provided by the City's management.

Reports to the Policy and Finance Committee

We have provided our audit planning report to the Committee in December 2020.

Representations of management

A copy of the management representation letter is available from management.

Audit Quality in Canada

The reports available through the following links were published by the Canadian Public Accountability Board to inform audit committees and other stakeholders about the results of quality inspections conducted over the past year:

- CPAB Audit Quality Insights Report: 2020 Interim Inspection Results
- CPAB Audit Quality Insights Report: 2019 Annual Inspections Results

Visit our **Audit Quality Resources page** for more information including access to our **Transparency report.**

Control deficiencies

Other control deficiencies, identified during the audit, that do not rise to the level of a significant deficiency have been communicated to management.

Appendix 2: Technology in the audit

We have utilized technology to enhance the quality and effectiveness of the audit.

Tool	Our results and insights
KPMG Clara Client Collaboration	We have a new tool available for requesting and receiving all the audit requests. This tool is web-based and would allow the finance team to upload responses to our specific requests via link on the web portal. This technology is currently being used for a number of our other clients with great success and improvement in the amount of time spent dealing with audit requests. KPMG used this tool for the audit of the Zoo for the current year.
Journal Entry Analysis	We utilized Computer Assisted Audit Techniques ("CAATs") to analyze journal entries and apply certain criteria to identify potential high-risk journal entries for further testing.
Data Extraction & Analytics Tools	We utilized data and analytics in the audit to evaluate the completeness of the journal entry population through a roll-forward of the complete general ledger. This consists of a summation of all automated and manual journal entries posted in the selected GL accounts during the fiscal year and comparison of the calculated final balances to the account balances as at and for the year ended December 31, 2020 as reported by management.

Appendix 3: Current developments

In response to the impact of COVID-19 on public sector entities, PSAB has approved deferral of all upcoming accounting standards by one year and will issue non-authoritative guidance on the effects of COVID-19.

<table>
<tr><th>Standard</th><th>Summary and implications</th></tr>
<tr><td>Asset Retirement Obligations</td><td>– The new standard is effective for fiscal years beginning on or after April 1, 2022. The effective date was deferred by one year due to COVID-19.
– The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets. PSAB currently contains no specific guidance in this area.
– The ARO standard will require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets (“TCA”). The amount of the initial liability will be added to the historical cost of the asset and amortized over its useful life.
– As a result of the new standard, the public sector entity will have to:
• Consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset;
• Carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements;
• Begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify AROs and obtain information to estimate the value of potential AROs to avoid unexpected issues.</td></tr>
<tr><td>Revenue</td><td>– The new standard is effective for fiscal years beginning on or after April 1, 2023. The effective date was deferred by one year due to COVID-19.
– The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement.
– The standard notes that in the case of revenues arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations.
– The standard notes that unilateral revenues arise when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.</td></tr>
</table>

Standard	Summary and implications
Employee Future Benefit Obligations	– PSAB has initiated a review of sections PS3250 *Retirement Benefits* and PS3255 *Post-Employment Benefits, Compensated Absences and Termination Benefits*. In July 2020, PSAB approved a revised project plan. – PSAB intends to use principles from International Public Sector Accounting Standard 39 *Employee Benefits* as a starting point to develop the Canadian standard. – Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, PSAB will implement a multi-release strategy for the new standards. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues.
Public Private Partnerships (“P3”)	– PSAB has proposed new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. PSAB in the process of reviewing feedback provided by stakeholders on the exposure draft. – The exposure draft proposes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the P3 ends. – The exposure draft proposes that the public sector entity recognize a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure. – The infrastructure would be valued at cost, which represents fair value at the date of recognition with a liability of the same amount if one exists. Cost would be measured in reference to the public private partnership process and agreement, or by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project. – The final standard was approved in December 2020 with an issuance date of April 1, 2021 and an effective date of April 1, 2023.

Standard	Summary and implications
Concepts Underlying Financial Performance	– PSAB is in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards. – PSAB has released four exposure drafts for the proposed conceptual framework and proposed revised reporting model, and their related consequential amendments. Comments on the exposure drafts are due in May 2021. – PSAB is proposing a revised, ten chapter conceptual framework intended to replace PS 1000 *Financial Statement Concepts* and PS 1100 *Financial Statement Objectives*. The revised conceptual framework would be defined and elaborate on the characteristics of public sector entities and their financial reporting objectives. Additional information would be provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts would be introduced. – In addition, PSAB is proposing: • Relocation of the net debt indicator to its own statement and the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained. • Separating liabilities into financial liabilities and non-financial liabilities. • Restructuring the statement of financial position to present non-financial assets before liabilities. • Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities). • Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”. • A new provision whereby an entity can use an amended budget in certain circumstances. – Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position.
International Strategy	– PSAB has reviewed all proposed options for its international strategy, and in accordance with its due process, approved the option to adapt International Public Sector Accounting Standards when developing future standards. PSAB noted that the decision will apply to all projects beginning on or after April 1, 2021. • An exposure draft to modify the GAAP hierarchy has been issued with responses due by February 15, 2021.
Purchased Intangibles	– In October 2019, PSAB approved a proposal to allow public sector entities to recognize intangibles purchased through an exchange transaction. Practitioners are expected to use the definition of an asset, the general recognition criteria and the GAAP hierarchy to account for purchased intangibles. – PSAB has approved Public Sector Guideline 8 which allows recognition of intangibles purchased through an exchange transaction. Narrow-scope amendments were made to Section PS 1000 Financial statement concepts to remove prohibition on recognition of intangibles purchased through exchange transactions and PS 1201 Financial statement presentation to remove the requirement to disclose that purchased intangibles are not recognized. – The effective date is April 1, 2023 with early adoption permitted. Application may be retroactive or prospective.

Appendix 4: Audit and Assurance Insights

Our latest thinking on the issues that matter most to audit committees, Boards and Management.

Featured insight	Summary	Reference
Audit & Assurance Insights	Curated thought leadership, research and insights from subject matter experts across KPMG in Canada.	**Learn more**
The business implications of coronavirus (COVID-19)	Resources to help you understand your exposure to COVID-19, and more importantly, position your business to be resilient in the face of this and the next global threat.	**Learn more**
	Financial reporting and audit considerations: The impact of COVID-19 on financial reporting and audit processes.	**Learn more**
	KPMG Global IFRS Institute - COVID-19 financial reporting resource center.	**Learn more**
Accelerate 2020	Perspective on the key issues driving the audit committee agenda.	**Learn more**
IFRS Breaking News	A monthly Canadian newsletter that provides the latest insights on international financial reporting standards and IASB activities.	**Learn more**
Momentum	A quarterly Canadian newsletter which provides a snapshot of KPMG's latest thought leadership, audit and assurance insights and information on upcoming and past audit events – keeping management and board members abreast on current issues and emerging challenges within audit.	**Sign-up now**
Current Developments	Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US Outlook reports.	**Learn more**
Board Leadership Centre	Leading insights to help board members maximize boardroom opportunities.	**Learn more**

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